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**DEPARTMENT OF STATE REVENUE**

**LETTER OF FINDINGS NUMBER: 96-0668 ST**  
**Sales and Use Tax**  
**For The Period 1993 Through 1995**

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**ISSUE**

**Sales and Use Tax – Manufacturing Equipment Exemption**

**Authority:** 45 IAC 2.2-5-8

The taxpayer protests the taxation of its robotics.

**STATEMENT OF FACTS**

The taxpayer is a manufacturer of refrigerators and ice makers. The taxpayer purchased and installed a mold changing system for its refrigerator door manufacturing process. The mold changing system is automatic. The molds are brought from a storage area above the production line by the use of a conveyor. The molds are pre-heated before they are placed into the production line. Once the molds are moved into position by the conveyor they are placed on the production line by a robotic arm. The robotic arm is run completely by computer. When another type of door is to be produced, the molds are changed.

Additional relevant facts will be provided below.

**Sales and Use Tax – Manufacturing Equipment Exemption**

**DISCUSSION**

The taxpayer protests the taxation of its robotics used in the manufacturing of refrigerator doors. This line was added to the process as a brand new method of making refrigerator doors. The

intention of the line was to manufacture a new type of product, and to make multiple models in order to keep up with the constant change in customer demand.

Various door models are manufactured during each shift. The molds used to produce the product are changed throughout the production process. The production line produces specific products based on plant production demand. The exact door specifications are automatically set by a computer. The computer software directs which specific door models are to be manufactured. The robotic arm and the computer controls are physically attached to the production line. Computers along with the associated software direct and dictate when the robotics are to move. Once the molds are changed, a signal is sent back to the computer to communicate that the molds are ready and production of the refrigerator doors can commence. According to the taxpayer, the mold changing process is constant. While some doors are being formed, other molds on the same production line are being changed to produce a different model. The taxpayer contends that there is no downtime between mold changes. In support of its protest, the taxpayer cites 45 IAC 2.2-5-8(c). 45 IAC 2.2-5-8(c) provides:

The state gross retail tax does not apply to purchases of manufacturing machinery, tools, and equipment to be directly used by the purchaser in the production process provided that such machinery, tools, and equipment are directly used in the production process; i.e., they have an immediate effect on the article being produced. Property has an immediate effect on the article being produced if it is an essential and integral part of an integrated process which produces tangible personal property.

The issue to be resolved is whether the robotics used to change the molds is exempt from taxation. First, the robotic arm only moves the molds and does not come into contact with the product, nor does it act upon the door itself. Second, the production of the doors cannot even begin without a mold being put in place. Once the mold is put in place on the production line, the foam can be injected into the mold. The movement and placement of the mold on the production line is therefore pre-production.

### **FINDING**

The taxpayer's protest is denied.